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November 9, 1993

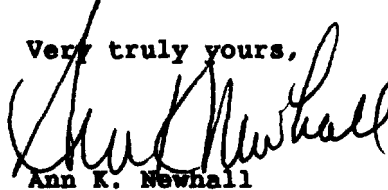
Office of the Secretary  
Federal Communications Commission  
Washington, D.C. 20554

Re: In the Matter of Implementation of Section 309(j) of the  
Communications Act Competitive Bidding, PP Docket No. 93-253

Dear Sir or Madam:

Enclosed herewith for filing is the original and nine copies of the  
comments of Rural Cellular Corporation in the above-referenced matter.

Very truly yours,

  
Ann K. Newhall

AKN/lkw  
32AKN  
Enclosures

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In the Matter of )

Implementation of Section 309(j) )

of the Communications Act )

Competitive Bidding )

PP Docket No. 93-253 )

COMMENTS OF RURAL CELLULAR CORPORATION

Rural Cellular Corporation ("RCC") respectfully provides its comments in the above referenced matter. RCC provides cellular service in Minnesota RSAs number 1, 2, 3, 5 and 6. It is owned by approximately 40 independent rural telephone companies.

In the Notice of Proposed Rule Making adopted September 23, 1993, the Commission requested comments on how to carry out the mandate of Section 309(j)(4)(D) of the Communications Act of 1934, as amended, to ensure that small businesses, rural telephone companies and businesses owned by women and minorities (referred to as "Designated Entities") are given the opportunity to participate in the provision of spectrum based services. The comments of RCC address this point.

RCC favors simple and direct rules for the competitive bidding process. Complex rules tend to favor larger companies with greater resources.

Given the short timeframe for the current auction process, it is difficult for small companies such as rural telephone companies to form necessary alliances to pool capital and develop plans in order to participate in the auction process at all. Simple auction rules make it easier to do so.

A. The license for Block C (20 MHz) should be set aside for rural telephone companies by ETAs

Rural telephone companies have consistently brought high quality communications services to their customers in the rural areas. Licensees of MTAs will be concerned with the most populated areas first.

As they have done with cellular, paging and other services, rural telephone companies have the ability and capacity to bring the service quickly to the BTAs. A set aside is an effective way to encourage participation by rural telephone companies.

## **B. Designated Entities - Definitions**

Rural telephone companies should be defined as local exchange telephone companies with fewer than 50,000 access lines. Entities controlled by rural telephone companies for which the majority of interests are owned by rural telephone companies should also be eligible as Designated Entities to bid for set aside licenses. It is very likely that companies will need to combine together to raise necessary capital.

Rural telephone companies should be able to bid for set-aside licenses in any area. Even BTAs are substantially larger than any individual rural telephone company's service area and companies will need to act together to bid for licenses which may only include part of their service area. Service areas will rarely directly coincide with BTA or MTA boundaries.

## **C. Auction Design**

### **1. Bid Deposits**

Bid deposits for Designated Entities should be equal to one-half of the amount required for other bidders. This would be an incentive for more Designated Entities to participate.

### **2. Oral Bidding**

RCC supports the use of oral bidding as it is the simplest and most direct bidding method.

### **3. Sequence of Bidding**

RCC urges that all of the BTAs within a given MTA will be auctioned at the same time and the BTAs be auctioned prior to the MTAs. This will lead to a more orderly auction process.

## **D. Alternate Payment Methods for License**

RCC proposes that a Designated Entity be permitted to elect to pay the bid price in one of two ways:

1. A twenty percent (20%) down payment (less the amount of the bid deposit) with annual principal and interest payments over the initial ten year license term, with interest at the prime rate; or

2. A twenty percent (20%) down payment (less the amount of the bid deposit) and annual payments of a royalty fee set as a percentage of the gross revenue of the licensee over the initial term of the license. The balance of the bid, if any, would be due upon the expiration of the initial license term. There would be no maximum payment if the royalty payments exceeded the total bid price and no interest would accrue.

In either event, if the licensee elects one of these options and then sells the license within the initial license term, the balance of the bid should become immediately due and payable unless the license is transferred to another qualified designated entity.

Smaller companies, such as rural telephone companies, do not have the resources to invest the full auction price immediately and also raise and invest the investment capital needed to provide immediate service.

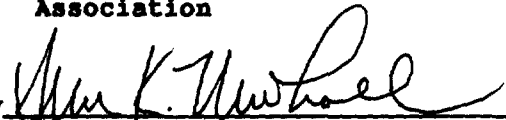
Conclusions

As set forth in these comments, RCC urges the Commission to adopt flexible and sensible provisions to encourage rural telephone companies to participate in the competitive bidding process.

Respectfully submitted on behalf of  
RURAL CELLULAR CORPORATION

Moss & Barnett, A Professional  
Association

Dated: November 9, 1993

by 

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